MULTIMEDIA UNIVERSITY

STUDENT ID NO

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FINAL EXAMINATION

TRIMESTER 2, 2019/2020

BSM3114- MANAGEMENT OF STRATEGY

(All sections /Groups)

28 FEBRUARY 2020
9.00 a.m -11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SIX (6)** pages excluding cover page.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

CASE STUDY 1

Why Coke is winning the Cola War

by Danielle Wiener-Bronner

It's been a long time since PepsiCo just sold Pepsi and Coca-Cola just sold Coke. Both companies now sell juice, water, sports drinks and iced coffee. And in many of these categories, Pepsi is winning.

But when it comes to regular old cola, Coke is still king. In the last decade, Coke's market share has risen from 17.3% to 17.8%, while Pepsi's has dropped from 10.3% to 8.4%, according to Beverage Digest, a trade publication. Diet Coke and Diet Pepsi have both lost ground, but Diet Coke is still far ahead. Here's how it happened — and why it matters.

Thinking outside the can

It's a tough time for soda sellers. People are turning away from sugary drinks and empty calories. Evolving tastes and sugar taxes have encouraged brands like Coke (KO) and Pepsi (PEP) to invest in healthier alternatives. Both companies have diversified their product line ups, but the stakes in cola are higher for Coke. PepsiCo merged with Frito-Lay and now owns Quaker Oats, Tostitos and other food brands. Coca-Cola is still a beverage company.

While it was branching out, Pepsi took its eye off its namesake product, said Caroline Levy, a research analyst who covers beverages for Macquarie Capital.
"They got very distracted for the last few years on cola," she said. "They were chasing other things."

Soda still matters

Carbonated soft drinks accounted for $81 billion in sales in North America in 2016, according to Beverage Digest — way more than growing categories like water ($23 billion) and sports drinks ($9.4 billion) and soda is cheaper to make than other beverages.

PepsiCo CEO Indra Nooyi recently told investors that a new, nostalgia-focused Pepsi Generations marketing push, playing up successful ad campaigns of the past, will help boost sales.

Duane Stanford, executive editor of Beverage Digest, thinks Pepsi can win back customers by beefing up advertising for its core brands. But they're playing catch up.

Chasing Millennials

In January, Coke announced new Diet Coke flavours and a sleek new can. The campaign was aimed at a younger crowd: The new flavours, like Ginger Lime and Zesty Blood Orange, call to mind different variations of trendy La Croix seltzers.

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"Millennials are now thirstier than ever for adventures and new experiences, and we want to be right by their side," Rafael Acevedo, the group director for Diet Coke in North America, said in a statement about the new look and flavours. "We're making the brand more relatable and more authentic."

Coca-Cola spent two years on the relaunch. "We would love to at least stop declining, if not get into growth," CEO James Quincey told analysts last week. "I'm not sure just the flavours and the packages will get us there, but it's certainly going to be a good step in the right direction."

Pepsi tried to appeal to young customers last year with a poorly received commercial featuring Kendall Jenner offering a soda to a police officer on a protest line. After a backlash, the company apologized and pulled the ad.

Besides being a waste of money, the botched commercial may have inspired Pepsi to play it safe with the new Generations campaign, said Laurent Grandet, a beverage analyst with Credit Suisse who previously worked for PepsiCo.

This year's Generations Super Bowl ad made reference to past star-studded commercials featuring Michael Jackson, Britney Spears and Cindy Crawford, who made a return appearance.

Nostalgia isn't a bad way to remind loyal customers why they should keep drinking — or return to — Pepsi and Diet Pepsi. But it might not be enough to persuade health-conscious customers to reach for a can.

In Coke's Super Bowl ad, featuring "Community" star Gillian Jacobs, the message is clearer: "If you're in the mood for a Diet Coke, have a Diet Coke."

(Source: CNN Money (New York) 2018)

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QUESTION 1

"We would love to at least stop declining, if not get into growth," CEO James Quincey told analysts last week.

From the above statement, it shows that Coca Cola is aiming to maintain its position, if it is unable to grow, you were to develop a five years plan as strategy consultant to propose and explain 5 (FIVE) alternative strategies to Coca Cola to accomplish its aim.

(25 marks)

(Total: 25 marks)

QUESTION 2

One way that PepsiCo expanded its business is through merger and acquisition. Discuss 5 (FIVE) advantages and 5 (FIVE) disadvantages of this strategy and justify each point with the supporting facts. (25 marks)

(Total: 25 marks)

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CASE STUDY 2

BMW and Daimler Invest €1bn in New Car Venture
By Russell Hotten Business reporter, BBC News
22 February 2019

BMW and Daimler have unveiled a joint venture covering new-generation services such as driverless vehicles, ride-hailing, and pay-per-use cars. Normally fierce rivals, the firms are investing €1bn (£880m) in the project, which will also help drivers find parking and electric charge points.

It comes as carmakers face competition from mobility services providers such as Uber and other technology firms.

The two German firms said they were open to buying tech start-ups. Established ride-hailing firms have been expanding. China's Didi Chuxing aims to expand its business in Latin America and Uber is growing rapidly in the US market.

"Further co-operation with other providers, including stakes in start-ups and established players, are also a possible option," Daimler's chief executive Dieter Zetsche said.

Both companies have been working to develop autonomous car technology. Many analysts have argued that to survive against the tech giants, traditional car manufacturers must develop services based on usage rather than sales.

Daimler's Car2Go car-sharing brand will be combined with BMW's DriveNow, ParkNow and ChargeNow businesses, with both carmakers holding a 50% stake in the venture.

The new joint venture has five strands:

Reach Now: a smartphone-based route management and booking service
Charge Now: expanding electric car charging
Free Now: for taxi ride-hailing
Park Now: dedicated to offering parking services
Share Now: for car-sharing.

Harald Krüger, chairman of BMW's management board, said: "These five services will merge ever more closely to form a single mobility service portfolio with an all-electric, self-driving fleet of vehicles that charge and park autonomously," The venture would be "a key cornerstone in our strategy as a mobility provider," he said, adding: "The co-operation is the perfect way for us to maximize our chances in a growing market, while sharing the investments."

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"Our mobility services have developed a strong customer base and we are now taking the next strategic step. We are pooling the strength and expertise of 14 successful brands and investing more than €1 billion to establish a new player in the fast-growing market for urban mobility," said Dieter Zetsche, Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars.

"By creating an intelligent network of joint ventures, we will be able to shape current and future urban mobility and draw maximum benefit from the opportunities opened up by digitalization, shared services and the increasing mobility needs of our customers. Further co-operations with other providers, including stakes in start-ups and established players, are also a possible option."

Analysis: Theo Leggett, business correspondent

The car industry is changing rapidly. BMW and Daimler have concluded that for them, there's safety in numbers. As cities become more congested, and efforts to contain pollution are stepped up, their inhabitants are going to come under more pressure to give up their cars for alternative forms of transport. Owning your own set of wheels in town may one day be seen as terribly 20th Century.

At the same time technology is developing at a breakneck pace. As both Daimler and BMW have admitted, it's likely that cars in cities will eventually be shared-use electric machines that drive themselves and can be summoned at the touch of a smartphone.

Old-fashioned carmakers that fail to adapt risk being driven out of business - as car sales fall, and the tech industry upstarts move in. The deal between the big German brands should help them cement their stake in this brave new world where car companies give way to "mobility providers".

The amount of shared investment isn't huge - a mere €1bn, and the initial focus on fairly mundane offerings such as car sharing, ride hailing and parking.

But the big question is, where it could lead?

(Source: Adapted from: https://www.bbc.com/news/business-47332805)

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QUESTION 3

(a) Based on the above case, discuss **TWO (2)** main purposes of this new joint venture with relevant examples. (10 marks)

(b) Identify what is BMW and Daimler new generic business-level strategy and explain how it will help them to grow in the automotive industry? (15 marks)

(Total: 25 marks)

QUESTION 4

Assume that you are a business consultant for BMW, analyse the competencies of this joint venture by using the SWOT analysis and propose the most effective analysis to be used by the company for their future growth. (25 marks)

(Total: 25 marks)

End of Paper